

Commission Meeting Minutes

August 14, 2019

Chairman Philip Y. Brown called the meeting (held at the PERAC Office, 5 Middlesex Avenue, Somerville, Massachusetts) to order at 11:05 AM. He then stated that the Commission meeting is being tape recorded and this will be so noted in the minutes.

Chairman Brown acknowledged the other Commissioners present for all or part of the meeting: Commissioners Timothy Dooling, Kathleen Fallon, Kate Fitzpatrick, James Machado, and Jennifer Sullivan. Commissioner Robert McCarthy was not in attendance.

PERAC Staff present: Executive Director John Parsons, Deputy Executive Director of Policy Joseph Martin, General Counsel Judith Corrigan, Deputy Director of Administration Caroline Carcia, Actuary John Boorack, Compliance Officer Tom O'Donnell, Chief Auditor Caryn Shea, Senior Associate General Counsel Patrick Charles, Associate General Counsel Katie Brady, Project Manager Anthony Tse, Senior Systems Engineer Robert Perez, Communications Director Natacha Dunker, Fraud Prevention Manager Sandra King, Compliance/Investment Data Coordinator Cheryl Johnson, and Senior Executive Assistant Kim Boisvert.

Ms. Boisvert announced the following guests in attendance for all or part of the meeting: Nick Favorito representing the State Retirement Board, Erika Glaster and Sean Neilon representing the Massachusetts Teachers' Retirement Board, Thomas Gibson representing the Middlesex and Belmont Retirement Boards, Lisa Adams representing the Massachusetts Municipal Association, Gerry McDonough representing the Law Office of Thomas Gibson, and Matthew Casey a member of the public. Elizabeth Braccia from Barnstable County, was not present in open session, she arrived about 12:30 PM.

Commissioner Fitzpatrick made a motion to adopt the June 12, 2019 Commission meeting minutes. Commissioner Sullivan seconded the motion and the minutes were unanimously adopted.

Actuarial Update

Mr. Boorack discussed the 1/1/19 preliminary State Retirement Board Actuarial Valuation results. He reported that the Investment Return Assumption was reduced to 7.25% from 7.35% and expects to work on a new mortality experience for 2020. He reported that there was a loss on the actuarial liability of approximately \$90 million which is 0.2% of the total actuarial liability and a loss on investments of approximately \$130 million (actuarial value). He also reported that the 2019 Funded Ratio is 63.7%. Mr. Boorack expects a draft report should be complete for the September Commission meeting.

Legal Update

Mr. Charles reported on the matter of *John Navoy v. MWRA Retirement Board and PERAC*, CR-17-108, and *Katherine Mercadante v. State Retirement Board and PERAC*, CR-17-887.

Ms. Corrigan introduced Ms. Katie Brady, Associate General Counsel, who is a graduate of the New England School of Law. Ms. Brady clerked for the Maine Supreme Judicial Court and then

worked for the Massachusetts Commission Against Discrimination. The Commission welcomed Ms. Brady to PERAC.

Ms. Brady reported on *Patricia Considine v. Somerville Retirement Board and PERAC*, CR-16-452 and *Robert Gambale v. Essex Regional Retirement Board and PERAC*, CR-15-3.

Legislative Update

Mr. Charles reported that the Joint Committee on Public Service has held hearings throughout the summer but is on break now until September. The Committee has reached out with some changes to our Veteran's bill regarding allowing members who have been denied because of time limits being given a new opportunity to purchase military time.

Audit Update

Ms. Shea reported that 10 audits have been posted on the website since the last Commission meeting and she discussed their findings. She also stated that 4 of those audits contained no findings and were issued under the new process. The new process is to issue reports that have no findings after the final review by PERAC management. We no longer send reports without findings to the board, since there is no need for the board to respond. She continued that as of this time in 2018 the unit issued 8 audit reports, this year there have been 21 audit reports issued based on some internal changes. Ms. Shea then stated that currently the Audit Unit is reviewing the Annual Statements, providing accounting assistance for new administrators, and is preparing a presentation with the Investment Unit regarding the new audit process. Ms. Shea indicated that she is putting an Audit Roundtable meeting together with the private auditors, hopefully in September, to open communications in an effort to collaborate. Finally, Ms. Shea discussed the Audit Timeline and Tracking Report.

Compliance Update

Mr. O'Donnell reported that there have been 722 course completions by board members year-to-date. He stated that again, more credits have been earned by those attending the MACRS conference which was held in Hyannis. Mr. O'Donnell reported that 189 Vendor Procurement acknowledgements have been issued year-to-date for various asset classes and service providers. Mr. O'Donnell reported that there are 508 active retirement board members and all have filed their SFIs, although 6 inactive board members have not filed their SFIs which were due May 1. He continued that the Compliance Unit has reached out to those non-compliant individuals formally notifying them that their non-compliance will be discussed at the September Commission meeting.

Executive Director's Report

Mr. Parsons welcomed Ms. Brady to the team and expressed how happy the Legal Unit is to have her working here. He then congratulated Ms. Corrigan for her presentation regarding "Beyond Bettencourt: the Eighth Amendment and Pension Forfeitures in Massachusetts" to the National Association of Public Pension Attorneys (NAPPA). He continued that Ms. Corrigan has been trying to present at the NAPPA conference for a long time and has now successfully done so. Mr. Parsons then briefly reported on the staff activities and board visits.

Mr. Parsons reported that "Save the Date" communication had been sent to all interested parties for the Emerging Issues Forum being held on September 12, once again to be held at the College of the Holy Cross in Worcester. He then stated that 225 people have already registered for the Emerging Issues Forum and expects that number to increase to about 300. He stated that a draft agenda is included in the monthly package.

Mr. Parsons then reported that the Administrators' Road Show Trainings have been scheduled for August 15 in Danvers, October 31 in Northampton, and November 20 in Westborough.

Mr. Parsons notified the Commission that the Strategic Workshop will be held on November 6, 2019 at the Conference Center at Bentley University and that more information will be distributed prior to that date. He stated that the facilitator is from the Donahue Institute and has requested that the Commission provide areas of interest. The Commission requested a copy of the agenda from the last Strategic Workshop. Mr. Parsons stated that we would forward this to the Commission promptly.

Mr. Parsons stated that the newly revamped PERAC Pension News, publication number 52, has been provided in the package with articles regarding Ms. Carcia's promotion, the new Audit Protocols, a spotlight on the Actuarial Unit, and the Educational Training schedule.

Mr. Parsons then reported that an article from the Wall Street Journal, "Calpers' Dilemma: Save the World or Make Money" has also been included.

Finally, Mr. Parsons discussed the Joint Audit/Fraud and Disability Sub-Committee proposed meeting. He stated that the preference would be to have this meeting prior to the October Commission meeting. The Commission agreed.

Commission Travel

Mr. Parsons notified the Commission about the upcoming 2019 NCPERS Public Pension Funding Forum, September 11-13, 2019 in New York, NY should there be any interest in attending.

Commissioner Dooling made a motion to grant permission for any interested Commissioners and staff to attend the above conference. Commissioner Fallon seconded the motion and the motion was unanimously adopted.

Executive Session

Chairman Brown stated that a guest is expected for the first Executive Session and that she has not yet arrived so he suggested that the Commission meet about the second Executive Session at this time.

Executive Session – Investigative Matters – Purpose 7

At 11:40 AM Chairman Brown called for a vote of the Commission to go into Executive Session to discuss and to comply with, or act under the authority of, any general or special law or federal grant-in-aid requirements under G.L. c. 7, Section 50(c), G.L. c. 7, Section 50(f), and G.L. c. 32, Section 21(1)(c) and stated that the Commission will reconvene in open session after its discussion.

Chairman Philip Brown YES, Commissioners Timothy Dooling YES, Kathy Fallon YES, Kate Fitzpatrick YES, James Machado YES, and Jennifer Sullivan YES, and the motion was adopted.

A roll call vote was taken in Executive Session to return to open session and to adjourn the Executive Session at 12:30 PM.

Executive Session – Compliance Matters – Purpose 1

At 12:40 AM Chairman Brown called for a vote of the Commission to go into Executive Session to discuss the reputation, character, physical condition or mental health, rather than professional competence, of an individual, or to discuss the discipline or dismissal of, or complaints or charges brought against, a public officer, employee, staff member or individual. The subject of the issue at hand has been notified in writing of this meeting and has not asked that it be held in open session. The Commission will reconvene in open session.

Chairman Philip Brown YES, Commissioners Timothy Dooling YES, Kathy Fallon YES, Kate Fitzpatrick YES, James Machado YES, and Jennifer Sullivan YES, and the motion was adopted.

A roll call vote was taken in Executive Session to return to open session and to adjourn the Executive Session at 1:10 PM.

Other Business

Chairman Brown stated that the next Commission meeting will be held on September 11, 2019 at 11:00 AM.

Commissioner Fitzpatrick made a motion to adjourn the meeting. Commissioner Machado seconded, and the motion was unanimously adopted. The meeting adjourned at 1:10 PM.

Commission Meeting Documents

Commission Agenda for the meeting of August 14, 2019
Commission Minutes from June 12, 2019

Actuarial Update

2019 State Valuation Preliminary Results and talking points

Legal Update

Cases of Interest:

Navoy v. MWRA & PERAC, CR-17-108

Mercadante v. State & PERAC, CR-17-887

Considine v. Somerville & PERAC, CR-16-452

Gambale v. Essex & PERAC, CR-15-3

Audit Update

Recent PERAC audits

PERAC Audit Timeline and Tracking Reports

Executive Director's Report

Staff Activities

2019 Emerging Issues Forum Agenda

2019 Administrators Roundtable Agenda

Strategic Plan – Save the Date Reminder

CALPERS' Dilemma – Save the World or Make Money, Wall Street Journal Article

Commission Travel

2019 NCPERS Public Pension Funding Forum Brochure

Approved:



Philip Y. Brown, Chairman
Public Employee Retirement
Administration Commission